



Department of Justice

FOR IMMEDIATE RELEASE
THURSDAY, JANUARY 5, 2006
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FOUR NEW YORK ARCHDIOCESE PURCHASING REPRESENTATIVES INDICTED ON FRAUD, TAX AND OBSTRUCTION OF JUSTICE CHARGES

WASHINGTON, D.C. -- A federal grand jury returned an indictment today against four individuals for participating in self-dealing schemes that netted them more than \$2 million while acting as executives and purchasing representatives of the Archdiocese of New York, the Department of Justice announced.

According to a nine-count indictment filed in U.S. District Court in Manhattan, Vincent J. Heintz and Nanette B. Melera, both of Briarcliff Manor, New York; Joseph J. DeRusso, of Florham Park, New Jersey; and Michael J. O'Shaughnessy, of Queens, New York, used their positions as employees and consultants at Institutional Commodity Services Inc. (ICS), the purchasing arm of the archdiocese, to receive more than \$1.2 million from vendors supplying goods to the archdiocese. At least \$250,000 of this money was paid in cash. Those charged also diverted at least \$1 million to shell companies they controlled

"These charges demonstrate the Department of Justice's resolve to prosecute those who defraud American consumers," said Thomas O. Barnett, Acting Assistant Attorney General in charge of the Department's Antitrust Division. "The victims in this case included a not-for-profit corporation and a religious institution operating schools, hospitals, and convents."

The indictment charges Heintz, Melera, DeRusso and O'Shaughnessy with mail fraud and conspiracy to commit mail fraud. DeRusso and Heintz are charged with one count of

conspiracy to defraud the Internal Revenue Service, with DeRusso also being charged with four counts of tax evasion. Additionally, the grand jury charged Heintz with one count of making false statements, and charged DeRusso with one count of obstruction of justice. Heintz was the general manager at ICS and Melera held the position of food service director. Both are no longer employed with ICS. DeRusso and O'Shaughnessy were independent consultants for ICS.

"Tax evasion all too often goes hand-in-hand with kickbacks and other financial crimes," said IRS acting Chief, Criminal Investigation, Richard Speier. "The IRS is happy to work with the Department of Justice on these types of investigations to bring the full force of the government's criminal statutes to bear."

Under the ecclesiastical law of the Roman Catholic Church, the Archdiocese of New York exercises authority over three counties in New York City and seven adjoining counties in New York State. As part of its responsibilities, the archdiocese oversees the operations of various facilities including schools, hospitals, and convents. ICS is a separate not-for-profit corporation and acts as a purchasing agent for the archdiocese by procuring and reselling to the archdiocese a variety of goods and services. Heintz, Melera, DeRusso and O'Shaughnessy were empowered to select vendors able to provide these goods and services.

According to the charges, Heintz, Melera, DeRusso and O'Shaughnessy unlawfully conspired to defraud the archdiocese of more than \$2 million from 1996 until 2004. As general manager for ICS, Heintz required numerous vendors to pay money-ostensibly as commissions-to DeRusso, the Department said. Vendors paid DeRusso more than \$1.2 million, which DeRusso secretly shared with the others charged. The amount of the commissions paid was included in the prices charged to ICS, which resulted in the archdiocese paying artificially inflated prices for the goods and services procured by Heintz, Melera, DeRusso and O'Shaughnessy. In addition,

the indictment charges that Heintz, Melera, DeRusso and O'Shaughnessy embezzled more than \$1 million dollars from the archdiocese through a self-dealing scheme in which they diverted funds earmarked to buy food for the children enrolled in the archdiocese's schools to companies they owned and controlled.

Heintz and DeRusso also conspired to defraud the Internal Revenue Service by arranging for DeRusso to receive at least \$250,000 in cash from one vendor of milk and juice, which DeRusso failed to report as income to the Internal Revenue Service. DeRusso is additionally charged with tax evasion for the years 1999 through 2002, based on his failure to report cash received from vendors as part of the self-dealing scheme. According to the indictment, DeRusso obstructed justice when, after learning of the FBI's investigation, he gave a representative of a milk and juice vendor a backdated contract in an attempt to conceal the true nature of prior cash payments made by the vendor. Finally, Heintz is charged with making false statements to agents from the FBI and the Internal Revenue Service, when he falsely claimed that he was not aware that DeRusso had received cash payments from any ICS vendors.

"This joint investigation, conducted with the full cooperation and assistance of the Archdiocese of New York, effectively dismantled a fraud scheme that thrived at the expense of the many parishes, schools, and healthcare facilities which could have used that money to support their essential services," said Mark J. Mershon, Assistant Director-In-Charge of the Federal Bureau of Investigation offices in the greater New York area.

The mail fraud charge and the mail fraud conspiracy charge each carry a maximum penalty of 20 years in prison, a \$250,000 fine, or both. The tax fraud conspiracy charge carries a maximum penalty of five years in prison, a \$250,000 fine, or both. Each of the tax evasion counts carries a maximum penalty of five years in prison, a \$100,000 fine, or both, together with

the costs of prosecution. The false statements charge provides a maximum penalty of five years in prison, a \$250,000 fine, or both. The obstruction of justice charge has a maximum penalty of 20 years in prison, a \$250,000 fine, or both.

Today's charges resulted from an ongoing investigation of food distributors and suppliers of other goods and services to various not-for-profit entities in the New York metropolitan area. The investigation is being conducted by the Antitrust Division's New York Field Office, with the assistance of the Federal Bureau of Investigation and the Internal Revenue Service. The Archdiocese of New York cooperated with the Department's investigation.

Anyone with information concerning fraud or tax offenses in the food distribution industry should contact the Federal Bureau of Investigation at (212) 384-2219 or the New York Office of the Antitrust Division at (212) 264-3179.

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